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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

ROBERT "BOB" BURNS - Chairman
ANDY TOBIN
BOYD DUNN
SANDRA D. KENNEDY
JUSTIN OLSON

APR 26 2019

DOCKETED BY

In the matter of

JG ENTERPRISE, LLC, an Arizona limited
liability company,FOX FIRST SERVICES, LLC, a Nevada
limited liability company,JENNIFER JEAN GUTSCHKE and JOHN
DOE GUTSCHKE, wife and husband,CARLTON LAMONT FOX and JANE
DOE FOX, husband and wife,

Respondents.

DOCKET NO. S -21059A-18-0345

DECISION NO. 77157

**ORDER TO CEASE AND DESIST, ORDER
FOR RESTITUTION, ORDER FOR
ADMINISTRATIVE PENALTIES AND
CONSENT TO SAME
BY: JG ENTERPRISE, LLC and
JENNIFER JEAN GUTSCHKE**

Respondents Jennifer Jean Gutschke and JG Enterprise, LLC, ("Respondents") elect to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") with respect to this Order to Cease and Desist, Order for Restitution, Order for Administrative Penalties, and Consent to Same ("Order"). Respondents admit the jurisdiction of the Arizona Corporation Commission ("Commission"); neither admit nor deny the Findings of Fact and Conclusions of Law contained in this Order; and consent to the entry of this Order by the Commission.

I.**FINDINGS OF FACT****The Parties**

1. JG Enterprise, LLC ("JG") is a limited liability company that was organized under the laws of the state of Arizona in March of 2012. JG has not been registered by the Commission as a securities salesman or dealer, and none of the JG's securities have been registered by the Commission.

2. Jennifer Jean Gutschke ("Gutschke") is the statutory agent and manager of JG and resides in the state of Arizona. Gutschke is not registered with the Commission as a securities salesman or dealer.

3. Gutschke is an unmarried woman.

The Sale of Securities

4. Since November of 2017 through at least March of 2018, Respondents participated in the unlawful sale of securities totaling over \$450,750 to at least twenty (20) investors from at least sixteen (16) different states.

5. Investors were initially contacted by individuals who offered and sold investment opportunities, and claimed to be affiliated with or worked for First Merchant Network ("First Merchant"), a Nevada based entity, Discover Bank, and JG.

6. Telemarketers and Campaign Managers used names of companies that were well-known or recognizable, but in fact they did not work for or were affiliated with those companies.

7. The individuals who initially contacted the investors are hereby collectively referred to as "Telemarketers".

8. Each investor was assigned a campaign manager who would contact them periodically and update them about their Investment ("Campaign Manager").

9. Telemarketers made the following statements to investors: (1) the money invested would go towards the purchase of leads for prospective businesses ("Leads List") that were interested in or needed card reader terminals; (2) some of the investors were told that the money

1 invested would go directly towards the purchase of card reader terminals, which then would be sold
2 to interested businesses; (3) the investors would receive a fixed amount per terminal installation;
3 (4) the investors would receive a percentage of all processing fees for all transactions conducted at
4 each installed terminal; (5) and the investors would receive an additional percentage of all cash
5 advances distributed at the terminal (collectively the "Investment").

6 10. During the telephone call, Telemarketers represented to the investors different
7 returns on their Investment.

8 a) Almost all of the investors were promised one to five percent (1-5%) for every
9 transaction conducted on the card reader terminals, and two to five percent (2-5%) on the cash
10 advances.

11 b) Each investor was assigned a Campaign Manager.

12 c) Almost all the investors were promised that they would receive their initial
13 Investment back within ninety (90) to hundred eighty (180) days.

14 11. After explaining to the investors the Investment, the Telemarketers promised a
15 return of their initial Investment within ninety (90) or one hundred eighty (180) days, along with a
16 monthly percentage generated from the usage of the card reader terminals. Further, the
17 Telemarketers promised investors that they would receive a fixed amount per terminal installed at a
18 business, a percentage of all processing fees for all transactions conducted on each terminal, and an
19 additional percentage of all the cash advances.

20 12. At least some of the Telemarketers and Campaign Managers were located in
21 Arizona at the time of the unlawful offers and sales of securities.

22 13. In all of these instances, once the investors invested with the above companies, the
23 money was wired to bank accounts owned by JG ("Bank Accounts").

24 14. Some of the investors received a "Letter of Intent" from First Merchant briefly
25 outlining their Investment and confirming what they were promised during the telephonic sales call.
26

1 15. The investors received the Letter of Intent either before or on the day of their
2 investment.

3 16. While the Letter of Intent refers to the investors as “Referral Agents”, the investors
4 were specifically told that no work was required from them beyond their initial Investment. One
5 investor who received a Leads List, after repeatedly requesting to be provided with one, was told by
6 the Campaign Manager not to contact any of the businesses on the Leads List “because it would
7 screw up their efforts” in finalizing the contracts with the businesses. None of the investors
8 received any training to be a referral agent. Most of the investors were not provided a Leads List,
9 and none of the investors were told to contact any businesses on the Leads List.

10 **JG and Gutschke’s Involvement in the Sale of Securities**

11 17. During the relevant time frame, Gutschke continuously set up appointments for
12 investors to speak with a Campaign Manager.

13 18. Gutschke opened one of the Bank Accounts with Bank of America, located in
14 Arizona, on December 11, 2017, on behalf of JG. Her job title was listed as a manager of the LLC
15 on the bank account records. Gutschke is the only signatory on the account.

16 19. Gutschke withdrew most of the investor’s monies from the Bank Accounts in cash,
17 often on the same day of the deposit, or within a week thereafter, and then Gutschke paid
18 Telemarketers and/or Campaign Managers with cashier’s checks.

19 20. Gutschke was paid \$250 per week by First Merchant and received three percent of
20 all the investor money deposited into the JG’s bank account from at least from the end of
21 November of 2017 through March of 2018. The payments received by Gutschke were
22 approximately \$17,772.50.

23 21. Gutschke made payments to herself in cash and the payments came from JG’s bank
24 account.

25 22. None of the investors received a return based on the successful completion of the
26 Investment or during the promised period of time.

23. Only one of the investors received some of the original investment money back from Respondents. The investor received two cashier's checks, one for \$2,000 dated August 6, 2018, and another for \$1,000 dated June 7, 2018.

24. After the initial Investment, at least through July of 2018, some of the investors were contacted by the Campaign Manager, who told the investors their Investment account had increased and that in order to withdraw the funds, the investors must pay a processing or legal fee. Of those fees, at least \$15,000 went into JG's bank account.

25. All of the known investors reported that they did not have investment experience and/or do not qualify as accredited investors.

26. Except for the current Investment, investors had no knowledge of or any prior dealings with JG or any of the companies that contacted them regarding the Investment opportunities.

27. The Investment has not been registered for sale as securities in Arizona.

28. JG is not registered to offer or sell securities in the state of Arizona.

II.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

2. Respondents offered or sold securities within or from Arizona, within the meaning of A.R.S. §§ 44-1801(16), 44-1801(22), 44-1801(27) and 44-2003(A).

3. Respondents violated A.R.S. § 44-1841 by participating in the offer or sale of securities that were neither registered nor exempt from registration.

4. Respondents violated A.R.S. § 44-1842 by participating in the offer or sale of securities while neither registered as a dealer or salesman nor exempt from registration.

5. Respondents' conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-2032.

6. Respondents' conduct is grounds for an order of restitution pursuant to A.R.S. § 44-2032.

7. Respondents' conduct is grounds for administrative penalties under A.R.S. § 44-2036.

III.

ORDER

THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and Respondents consent to the entry of this Order, attached and incorporated by reference, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondents, and any of Respondents agents, employees, successors and assigns, permanently cease and desist from violating the Securities Act.

IT IS FURTHER ORDERED that Respondents comply with the attached Consent to Entry of Order.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondents shall pay restitution to the Commission in the principal amount of \$14,772.50 to correct the conditions resulting from violations set forth in the Findings of Fact and Conclusions of Law. Payment is due in full on the date of this Order. Payment shall be made to the "State of Arizona" to be placed in an interest-bearing account controlled by the Commission.

IT IS FURTHER ORDERED that the restitution ordered in the preceding paragraph will accrue interest, as of the date of the Order, at the rate of the lesser of (i) ten percent per annum or (ii) at a rate per annum that is equal to one per cent plus the prime rate as published by the board of governors of the federal reserve system in statistical release H. 15 or any publication that may supersede it on the date that the judgment is entered.

1 The Commission shall disburse the funds on a pro-rata basis to investors shown on the
2 records of the Commission. Any restitution funds that the Commission cannot disburse because an
3 investor refuses to accept such payment, or any restitution funds that cannot be disbursed to an
4 investor because the investor is deceased shall be disbursed on a pro-rata basis to the remaining
5 investors shown on the records of the Commission. Any funds that the Commission determines it
6 is unable to or cannot feasibly disburse shall be transferred to the general fund of the state of
7 Arizona.

8 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondents shall jointly
9 and severally pay an administrative penalty in the amount of \$5,000 as a result of the conduct set
10 forth in the Findings of Fact and Conclusions of Law. Payment is due in full on the date of this
11 Order. Payment shall be made to the "State of Arizona." Any amount outstanding shall accrue
12 interest as allowed by law.

13 IT IS FURTHER ORDERED that payments received by the state of Arizona shall first be
14 applied to the restitution obligation. Upon payment in full of the restitution obligation, payments
15 shall be applied to the penalty obligation.

16 For purposes of this Order, a bankruptcy filing by a Respondent shall be an act of default.
17 If a Respondent does not comply with this Order, any outstanding balance may be deemed in
18 default and shall be immediately due and payable.

19 IT IS FURTHER ORDERED, that if Respondents fail to comply with this order, the
20 Commission may bring further legal proceedings against Respondents, including application to the
21 superior court for an order of contempt.

22 IT IS FURTHER ORDERED, that no finding of fact or conclusion of law contained in this
23 Order shall be deemed binding against any Respondent under this Docket Number who has not
24 consented to the entry of this Order.

25 IT IS FURTHER ORDERED that this Order shall become effective immediately.
26

BY ORDER OF THE ARIZONA CORPORATION COMMISSION



CHAIRMAN BURNS



COMMISSIONER DUNN



COMMISSIONER TOBIN



COMMISSIONER KENNEDY



COMMISSIONER OLSON



IN WITNESS WHEREOF, I, MATTHEW J. NEUBERT,
Executive Director of the Arizona Corporation Commission,
have hereunto set my hand and caused the official seal of the
Commission to be affixed at the Capitol, in the City of
Phoenix, this 26 day of April, 2019.



MATTHEW J. NEUBERT
EXECUTIVE DIRECTOR

DISSENT

DISSENT

This document is available in alternative formats by contacting Kacie Cannon, ADA Coordinator,
voice phone number (602) 542-3931, e-mail kcannon@azcc.gov.

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CONSENT TO ENTRY OF ORDER

1
2 1. Respondents Gutschke and JG admit the jurisdiction of the Commission over the
3 subject matter of this proceeding. Respondents acknowledge that Respondents have been fully
4 advised of Respondents' right to a hearing to present evidence and call witnesses and Respondents
5 knowingly and voluntarily waive any and all rights to a hearing before the Commission and all
6 other rights otherwise available under Article 11 of the Securities Act and Title 14 of the Arizona
7 Administrative Code. Respondents acknowledge that this Order constitutes a valid final order of
8 the Commission.

9 2. Respondents knowingly and voluntarily waive any right under Article 12 of the
10 Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief
11 resulting from the entry of this Order.

12 3. Respondents acknowledge and agree that this Order is entered into freely and
13 voluntarily and that no promise was made or coercion used to induce such entry.

14 4. Respondents acknowledge that they have been represented by an attorney in this
15 matter, Respondents have reviewed this Order with Respondents' attorney, Todd Schultz, and
16 understand all terms it contains.

17 5. Respondents neither admit nor deny the Findings of Fact and Conclusions of Law
18 contained in this Order. Respondents agree that Respondents shall not contest the validity of the
19 Findings of Fact and Conclusions of Law contained in this Order in any present or future
20 proceeding in which the Commission is a party.

21 6. The Respondents further agree that they shall not deny or contest the Findings of
22 Fact and Conclusions of Law contained in this Order in any present or future: (a) bankruptcy
23 proceeding, or (b) non-criminal proceeding in which the Commission is a party (collectively,
24 "proceeding(s)"). They further agree that in any such proceedings, the Findings of Fact and
25 Conclusions of Law contained in this Order may be taken as true and correct and that this Order
26 shall collaterally stop them from re-litigating with the Commission or any other state agency, in

1 any forum, the accuracy of the Findings of Fact and Conclusions of Law contained in this Order. In
2 the event the Respondents pursue bankruptcy protection in the future, they further agree that in
3 such bankruptcy proceeding, pursuant to 11 U.S.C. § 523(a)(19), the following circumstances
4 exist:

5 A. The obligations incurred as a result of this Order are a result of the conduct set forth
6 in the Findings of Fact and Conclusions of Law in the Order and are for the violation of Arizona
7 state securities laws, pursuant to 11 U.S.C. § 523(a)(19)(A)(i);

8 B. This Order constitutes a judgment, order, consent order, or decree entered in a state
9 proceeding pursuant to 11 U.S.C. § 523(a)(19)(B)(i), a settlement agreement entered into by
10 Respondents pursuant to 11 U.S.C. § 523(a)(19)(B)(ii), and a court order for damages, fine,
11 penalty, citation, restitution payment, disgorgement payment, attorney fee, cost or other payment
12 owed by Respondents pursuant to 11 U.S.C. § 523(a)(19)(B)(iii).

13 7. By consenting to the entry of this Order, Respondents agree not to take any action or
14 to make, or permit to be made, any public statement denying, directly or indirectly, any Finding of
15 Fact or Conclusion of Law in this Order or creating the impression that this Order is without factual
16 basis.

17 8. While this Order settles this administrative matter between Respondents and the
18 Commission, Respondents understand that this Order does not preclude the Commission from
19 instituting other administrative or civil proceedings based on violations that are not addressed by
20 this Order.

21 9. Respondents understand that this Order does not preclude the Commission from
22 referring this matter to any governmental agency for administrative, civil, or criminal proceedings
23 that may be related to the matters addressed by this Order.

24 10. Respondents understand that this Order does not preclude any other agency or
25 officer of the state of Arizona or its subdivisions from instituting administrative, civil, or criminal
26 proceedings that may be related to matters addressed by this Order.

1 11. Respondents agree that Respondents will not apply to the state of Arizona for
2 registration as a securities dealer or salesman or for licensure as an investment adviser or
3 investment adviser representative until such time as all restitution and penalties under this Order are
4 paid in full

5 12. Respondents agree that they will not exercise any control over any entity that offers
6 or sells securities or provides investment advisory services within or from Arizona until such time
7 as all restitution and penalties under this Order are paid in full.

8 13. Respondents agree that they will continue to cooperate with the Securities Division
9 including, but not limited to, providing complete and accurate testimony at any hearing in this
10 matter and cooperating with the state of Arizona and the United States of America in any related
11 investigation or any other matters arising from the activities described in this Order.

12 14. Respondents consent to the entry of this Order and agree to be fully bound by its
13 terms and conditions.

14 15. Respondents acknowledge and understand that if Respondents fail to comply with
15 the provisions of the order and this consent, the Commission may bring further legal proceedings
16 against Respondents, including application to the superior court for an order of contempt.

17 16. Respondents understand that default shall render Respondents liable to the
18 Commission for its costs of collection, including reasonable attorneys' fees and interest at the
19 maximum legal rate.

20 17. Respondents agree and understand that if Respondents fail to make any payment as
21 required in the Order, any outstanding balance shall be in default and shall be immediately due and
22 payable without notice or demand. Respondents agree and understand that acceptance of any
23 partial or late payment by the Commission is not a waiver of default by the Commission.

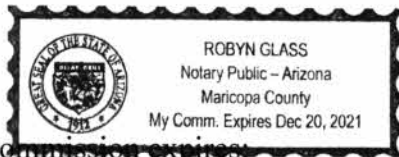
18. Gutschke represents that she is the manager of JG and has been authorized by JG to enter into this Order for and on behalf of it.

Signature for Respondents

Jennifer Jean Gutschke
Jennifer Jean Gutschke

STATE OF ARIZONA)
County of *Maricopa*) ss

SUBSCRIBED AND SWORN TO BEFORE me this 9 day of April 2019.



Robyn Glass
NOTARY PUBLIC

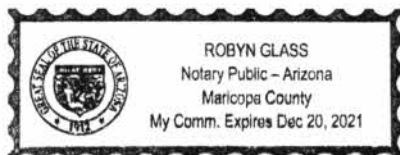
My commission expires:

JG Enterprise, LLC

By *Jennifer Jean Gutschke*
Its Manager

STATE OF ARIZONA)
County of *Maricopa*) ss

SUBSCRIBED AND SWORN TO BEFORE me this 9 day of April 2019.



Robyn Glass
NOTARY PUBLIC

My commission expires:

SERVICE LIST FOR: JG Enterprise, LLC, et al.

Ashley Adams

Ashley D. Adams, PLC

7502 E Monterey Way, Scottsdale, AZ 85251

Attorney for Respondents Carlton L. Fox, Soy S. Mora, and Fox Services, LLC

Todd Schultz

7600 N. 15th St, Ste 150, Phoenix, AZ 85020

Attorney for Respondents Jennifer Jean Gutschke, and JG Enterprise, LLC

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 ROBERT "BOB" BURNS – Chairman
4 ANDY TOBIN
5 BOYD DUNN
6 SANDRA D. KENNEDY
7 JUSTIN OLSON

8 In the matter of)
9 JG ENTERPRISE, LLC, an Arizona limited)
10 liability company,)
11 FOX FIRST SERVICES, LLC, a Nevada limited)
12 liability company,)
13 JENNIFER JEAN GUTSCHKE and JOHN DOE)
14 GUTSCHKE, wife and husband,)
15 CARLTON LAMONT FOX and JANE DOE)
16 FOX, husband and wife,)
17 Respondents.)

DOCKET NO. S -21059A-18-0345

DECISION NO. 77157

**CERTIFICATION OF SERVICE OF
PROPOSED OPEN MEETING AGENDA
ITEM**

18 On this 9th day of April, 2019, the foregoing document was filed with Docket Control as a
19 Securities Division Memorandum & Proposed Order, and copies of the foregoing were mailed on
20 behalf of the Securities Division to the following who have not consented to email service. On this
21 date or as soon as possible thereafter, the Commission's eDocket program will automatically email
22 a link to the foregoing to the following who have consented to email service.

1 **Ashley Adams**

2 Ashley D. Adams, PLC

3 7502 E Monterey Way, Scottsdale, AZ 85251

4 Attorney for Respondents Carlton L. Fox, Jane Doe Fox, and Fox Services, LLC

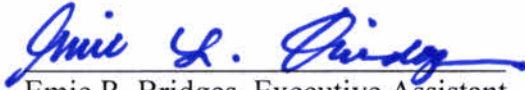
5 **Consented to Service by Email**

6 **Todd Schultz**

7 7600 N. 15th St, Ste 150, Phoenix, AZ 85020

8 Attorney for Respondents Jennifer Jean Gutschke, and JG Enterprise, LLC

9 By:

10  Emie R. Bridges, Executive Assistant